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SUBJECT: Western Snapshots Part 2 of 3: Bayan Ulgii - Home to
Mongolia's Kazakh Minority

Ref: A) Ulaanbaatar 253, B) 06 Ulaanbaatar 0237, C) Ulaanbaatar
0234, D) Ulaanbaatar 245

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11. (SBU) SUMMARY: The Charge visited Bayan Ulgii (BU) aimag (province) in Mongolia's far west April 24/25. BU is home to Mongolia's largest ethnic minority group: Moslem Kazakhs make up 92% of the aimag's 100,000 citizens. Several BU interlocutors stressed that they are "calm, moderate, secular Sunni" adherents that eschew radical Islam and those twisting it to justify violence. Contacts described the region's quiet acceptance that this far western area is largely "forgotten or ignored" by those in power in Ulaanbaatar, especially with respect to budget allocations and attention to its concerns. Business and government officials nonetheless see tourism (including sales of colorful Kazakh handicrafts) as a growth sector as well as processing of cashmere and other animal products, trade with neighboring China or Russia, and mining. USDA monetized commodities-funded loan guarantees are successfully stimulating entrepreneurship and job creation. A USAID-funded court automation project is making important contributions to rule of law and governance. Educators requested more books, Peace Corps Volunteers, and contacts with U.S. universities. Media reps sought training, funding, and equipment upgrades (from 1960's vintage systems). END SUMMARY.

Itinerary: Emphasis on Islam

12. (U) Charge visited Bayan Ulgii (BU) aimag (province) April 24/25, on the second of three stops during an April 23-28 swing through Mongolia's three western most aimags. (Note: Ref A summarizes Charge's visit to Khovd. Ref B for a summary of the face of Islam in Mongolia.) He met with Bayan Ulgii Aimag (province) and also Ulgii City (provincial capital) officials, Mongolia's Islamic Society Head and Imams and visited Ulgii City's mosque, business

representatives, Vocational Teachers College, and Eastern Kazakhstan University Branch Campus professors, and USAID-funded GER Initiative CHF leaders as well as three local program participants. He also toured the bazaar and visited the aimag's museum. This cable, the second of three, provides a snapshot of the brief visit to Bayan Ulgii.

Governor Reviews Aimag's Plusses and Minuses

¶3. (U) Bayan Ulgii aimag Governor Khabsator told the Charge April 25 that Kazakhs make up 92% of the aimag's 100,000 citizens, with the remaining 8% distributed among several other ethnic groups spread over some 46,000 square kilometers. (Note: For reference, this makes Bayan-Ulgii about 50% larger than the state of Maryland, but with 2% of the population.) He volunteered that the Kazakhs follow a "calm form of Islam" and the remainder of the population is a mixture of Buddhist and Shamanist. The region's economy is driven largely by herding as well as trade with neighboring Russia and China. But some food processing factories have recently opened, and some firms also process leather and wool. He noted unemployment was fairly high (other interlocutors put it at around 30%), but he attributed this in part to Kazakh traditions of children staying close by and supporting their parents, which tended to cluster many people around fewer jobs. Fortunately, significant growth in small and medium enterprises has provided jobs; otherwise, unemployment would have been even worse. However, the Governor noted that the region's a high population growth rate presents an ongoing challenge. Last year the aimag created 2,000 jobs but needs to create as many again this year if it is to keep up with local employment needs.

¶4. (U) Governor Khabsator enumerated the regions problems: 1) far from Ulaanbaatar, making goods and travel more expensive; 2) poor

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infrastructure in terms of roads, buildings, etc., and the region depends on Russia for electricity so it has frequent outages (Note: The Russians complain the aimag doesn't pay its bills on time), and; 3) there is little foreign direct investment (FDI) and little Russian or Chinese interest in making such investments. He complained that recently Russia had become more "protectionist," having forced out "non-Russian" traders from its border area, resulting in the return of some 400 BU traders. The Governor said BU's advantages include: 1) a region with significant tourism resources, well-endowed by nature and with many ethnic groups; 2) mineral resources which have been largely untapped, 3) good trading proximity to Russia and China, and; 4) a strong handicrafts tradition. He lamented the lack of progress on the central government promised free trade zone and noted a road connecting Russia and China remained unfinished because BU lacked funding to finish the remaining 150 kilometers passing through its territory. The central government provides 80% of the aimag's budget, with 20% coming from locally raised revenues. He expressed gratitude for USG-funded development and PAO programs, and he was grateful for Peace Corps support but politely complained that BU was "underrepresented" in this regard compared to other less populated aimags. (Note: BU ranks third in population among Mongolia's aimags, but 17 of 21 in physical size.)

¶4. (U) Citizen's Khural Chairman Erjan said the 35 member Khural is comprised of 17 members from the Mongolian People's Revolutionary Party (the much-changed successor to the former Communist Party); 16 elected under the Motherland Democratic Party; Coalition (MDC) banner and 2 independents. Under an agreement reached following the 2004 election, the Governor's seat is held by the MPRP while the Khural Chairmanship is held by an MDC member. Nine members in the Khural's Presidium work full-time, with four each for the two major parties plus one independent. Of the aimag's 13 soums, six are held by MDC members and six by the MPRP.

¶5. (U) The Charge stated noted that the U.S. and Mongolia are good friends. He described the range of cooperation between the two countries. The U.S. was proud, as President Bush had said during his 2005 visit, to be Mongolia's "third neighbor." The Charge noted the Embassy planned to expand its outreach this year, the 20th

anniversary of the establishment of diplomatic relations, adding that the Ambassador planned to visit the region later this year. He noted this was a familiarization visit, but that he also hoped to identify potential areas for cooperation in commercial, educational, and other sectors.

Ulgii City Governor

¶5. (U) On April 24, a local wrestling champion hosted a cordial, three hour family-style dinner at which Ulgii City Governor Khaisaina provided an overview of the provincial capital's situation. Only 400 of the city's 6,300 families live in apartments; the rest live in single family houses, not in gers (yurt in Turkish and Russian) as elsewhere in Mongolia. The city boasts factories for cashmere, camel hair, and wool processing, and small traders sell goods imported from Russia and China. Roughly 30% of the city's 30,000 residents remain unemployed, making job creation high among the city governor's tasks. The city has 10 primary and 10 secondary schools, including 3 private secondary schools, and has a technical college (focusing on construction skills and hopeful of MCC funding) as well as a branch university and a branch of the Eastern Kazakhstan University. The city has one TV station, five FM radio stations, and four cell phone providers. Last year some 3,000 foreign visitors passed through BU, largely trekking to mountain and nature areas.

¶6. (U) Governor Khaisana listed key problems the city faces, including: 1) pollution - as all but the few apartment dwellers burn coal for heating and cooking; 2) lighting - light poles were

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installed during the Soviet era, but they now lack lamps, and he worries about security and safety in the dark city; 3) desertification - climate changes have yielded more droughts and overgrazing is a problem; 4) too few schools - leading to over-crowding (built for 900 but servicing 2,000) and sometimes triple shift use of the schools; and, 5) poor medical care and diagnostic facilities.

"Calm" Islam the Dominant Religion

¶7. (U) The Charge briefly paid his respects at Bayan Ulgii's main mosque on April 25 where he met with Mongolia's Islamic Society leaders. These leaders said Mongolia has 32 mosques in total. Ulgii City is home to five of them, and the aimag hosts another nine, with the remainder strewn among the rest of Mongolia's aimags.

Plans are underway to build a mosque in Ulaanbaatar, the first ever, using locally contributed funds. Approximately 20 Mongolians make the Hajj pilgrimage to Mecca each year, all self-financed, although Saudi Arabia initially helped finance the travels of the first few tranches of about 30 per year for the first three years after the Soviets left in the early 1990's. The Soviets did not allow mosques to operate and prayers were conducted in individuals' homes. Islamic leaders stressed they were "secular Sunnis" and not radicals and that they did not support the violent approaches espoused.

¶8. (SBU) Over a dinner hosted by the Charge, Islamic Society Head Sovetkhan, joined by Imam Ayadas, and Imam Nurbeck, a Kazakhstani teacher at their local school, reiterated that the Society was strongly opposed to radical Islam and lamented the damage done to the religion by those using it to justify violence. He said approximately 200 students from the aimag attended schools overseas, principally in Turkey, Egypt, and the United Arab Emirates. What kind of ideas did these students bring back with them, the Charge asked? Sovetkhan said the Society's leadership examined them closely on return to ensure they had not been "radicalized" and they were satisfied that, to date, this had not been the case. Rather, they were impressed with the quality of the educations they obtained overseas relative to what could be provided locally.

¶9. (SBU) He said the aimag had particularly close ties with Turkey and Kazakhstan, as both provided considerable educational assistance underpinned by a moderate, secular philosophy. He said the Charge's

visit earlier in the day to the main mosque to pay his respects was especially appreciated by the Society's leaders, as was President Bush's Ramadan message. Sovetkhan expressed gratitude for the Charge's offer to host an event for Mongolian Islamic leaders during their mid-May national conference in Ulaanbaatar. (Note: Sovetkhan later told POL FSN that about 50-60 participants will likely attend the May 18-20 conference, including Mongolia's Moslem community leaders -- about 40 from BU and four Kazakh-dominated soums from neighboring Khovd aimag -- plus guests from Turkey, Kazakhstan, etc.)

¶10. (SBU) Sovetkhan said the Islamic Society did not have sufficient funds to provide social welfare, as such societies do elsewhere. He complained that the aimag was not "well- or proportionally" funded by the central government and thus infrastructure, educational and medical services all suffered. As to other social problems, he was concerned about growing alcoholism among his flock, acknowledging that Mongolian Kazakh Moslems sometimes tipped back a bowl or two of airag, fermented mare's milk.

(NOTE: To put this in perspective, our Embassy FSN driver said he had observed just three "drunks" in the entirety of our two evenings in Bayan Ulgii, adding, by comparison, the same number might be seen in one late night hour along a five block stretch of road in Ulaanbaatar, by his calculations. In the opinion of our Commercial Officer, who has spent a great deal of time in Bayan Ulgii as both a Peace Corps Volunteer and private citizen and thus is familiar with

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alcohol use and abuse among the Kazakhs, drinking has been going on at about the same pace since before the fall of socialism in the early 1990's. The renaissance of Islam in BU, in his view, has simply sensitized the local Imams to a problem that pre-existed their coming.)

Business Leaders Explore Prospects:
Tourism, Trade, and Mining

¶11. (U) Meeting with a few business leaders, including the head of the local chamber of commerce, the Charge learned that the upturn in business activity in recent years stemmed at least partially from the restoration of cashmere and wool processing, which had fallen dormant after the Soviets withdrew in the early 1990s. Tourism is the best growth prospect in their view, and they hope to capture "co-, ethno, and extreme" tourists in growing numbers in the years to come, although they realize they are dependent on establishing better, more frequent, and cheaper air connections to Ulaanbaatar (a second airline, EZnis recently began flying to BU, but fares had yet to experience much competition; see ref D) and more infrastructure (hotels, tourism firms, etc.) is needed to become a true end destination. They complained that often tours are booked through operators in the capitol (some even position their own vehicles in BU for the summer tourism season and then withdraw them thereafter), yielding few if any benefits for the local firms and services. There is another international connection via a weekly flight to/from Kazakhstan.

¶12. (U) While they believe there are substantial mineral resources in their aimag, they understand development and management of these resources are outside the aimag's purview and fall under the central government. Business reps hoped that the Russia-China road, nearly complete save the portion through Mongolia, could be routed through BU, but they too were doubtful that the central government will provide the resources needed to build the 100 kilometers needed to connect the road through BU. (Note: These were the same hopes - the road and the FTZ - mooted during the previous Ambassador's swing through the area last June.) Reps complained that electricity was expensive, at 10 cents per kilowatt hour, and the Russians routinely cut the power, disrupting businesses, but they hoped new hydro-electric power projects underway in Mongolia's western region will reduce dependence on Russian electricity. Reps also complained that capital was not available and application procedures were expensive and bureaucratic (World Bank and Asian Development Banks required project proposals be written in English and then these banks seemed to favor UB-based proposals over distant aimag needs).

USDA-Funded Development Program
A Resounding Success

¶13. (U) The Charge was briefed by the local Growing Entrepreneurship Rapidly (GER) Initiative representative regarding loan guarantees drawing on funds provided by monetized USDA wheat and administered by USAID. About 149 loans had been made averaging about US\$1,000 each since lending began last November, and some 600 clients had availed themselves of business services, training, etc. Afterwards, Charge visited three clients, a bakery, a handicrafts producer, and a small cafe. (NOTE: These three clients, among the program's most successful, had generated a total of 13 new jobs, demonstrating the importance of this USDA-funded, USAID-managed program in contributing to the total of 2,000 aimag jobs created last year according to the Governor.)

Handicrafts Cooperative Expansion Plans;
U.S. GSP Program Explored

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¶14. (U) The head of a local Kazakh women's handicraft cooperative said the coop had begun with 10 members a few years ago but now boasted some 30 members. All had received some training to ensure quality standards were understood. The group has participated in a number of trade fairs, including one in Urumqi, China. She hoped the coop could branch out and eventually have operations in all the aimag's soums (county), but that start up costs for larger scale operations meant the group needed about US\$3,000 to \$5,000 per soum. Charge explained the U.S.' Generalized System of Preference (GSP) and noted ongoing work with the GOM for a special agreement on handicrafts, which would be of interest to these producers. Asked about component costs for a traditional 4x7 foot Kazakh ger hanging, she said the cloth backing, all thread, and materials - all from China -- cost about US\$20 and about US\$40 in labor goes into producing each hanging.

Judicial Reform Project Much Appreciated

¶15. (U) During a brief meeting with Bayan Ulgii aimag Chief Justice Ashabyl, Ashabyl said the computerization of the courts had significantly increased the speed and quality of the work being performed. Previously, a clerk hand-typed all briefs and decisions, often working seven days a week late into the night. Even then the courts rarely met the requirement that the decision be made available to the concerned parties within one week. Now, this information was available almost as soon as the case concluded, and information on pending cases was instantly available via a stand-alone computer at the ground level entry, so all could learn the status of a given case. He expressed deep gratitude to the USG for providing this equipment and identified a few remaining needs which would enhance the court's performance (five more computers for additional staff plus matching printers and an additional photo-copy machine). Once the judges go on-line, they expect they'll be able to both share their own decisions (they do now but via hand-carried disks) in-house as well as with other aimag courts.

English Language Teachers Lack Books, Budget;
Seek U.S. University Contacts, Peace Corps Vols

¶16. (U) During a joint meeting with English language teacher from the Bayan Ulgii Teachers College, the Vocational Technical School, and the Eastern Kazakhstan University Branch Campus English language teachers, all noted they often had just one textbook for their classes and they asked whether the USG might provide classroom sets of texts, ideally in Kazkh language. There were few training aids, such as tape recorders or computers and all teachers felt they needed additional professional development. They also noted very helpful past cooperation with Peace Corps Volunteers and asked whether some might be assigned to BU. Teachers sought contacts with U.S. universities and the Charge said the PAO would help them

initiate this process.

Environmental Protection Preserves
Tourism Asset; USG Cooperation Sought

¶17. (U) Mongol Altai Nuruu Special Protected Area Office Head Mantai described his team's efforts to preserve and protect the aimag's five major reserves, representing 21% of the aimag's territory, under his care. He said that these reserves included some of western Mongolia's most scenic terrain, including the revered Tavan Bogd Mountain, and was home to many at risk or endangered species, such as the snow leopard. He noted that the protected areas were a relatively recent creation, so it contained some existing family homesteads and small villages. Tourism is growing, he said, but tour operators were only now beginning to appreciate the importance of protecting the environment and employing "green" techniques and technologies.

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¶18. (U) Mantai's concerns included: 1) illegal logging both by Mongolians and neighboring Chinese and Russians;; 2) increased wolf populations that threaten animal and human populations in the protected areas and adjacent buffer zones; 3) "human activities," which he described as herders grazing their animals in these areas before or after the March to October permitted period; 4) use of weapons by Border Forces (implying hunting), although they also help protect against poachers; and 5) small scale artisanal miners beginning to operate in some areas. He said his office would welcome any assistance that might be offered, and Charge undertook to provide some suggestions for potential cooperation both at the U.S. national and state levels.

Media Meeting: Help Us - Please!

¶19. (U) During a pleasant half hour exchange with BU's electronic and print media representatives, Charge delivered common points (see para 5) and then took questions and comments. The discussion quickly shifted to a wish list of the group's needs, including: 1) professional development and English language training for the staff; 2) financial assistance to allow the cash-strapped, government-owned newspaper (the nation's only Kazakh language paper) to return to at least weekly rather than quarterly publication; 3) newer radio and TV production consoles than the vintage 1960's Czech equipment currently being operated; and 4) avian influenza materials in English or Mongolian for translation into Kazakh language spots. Charge said he would refer these requests to the relevant embassy sections.

Goldbeck